



The Johnson Letter

From the desk of
Michigan State Senator

Shirley
Johnson

P.O. Box 30036 Lansing, MI 48909
Toll-free at (877) SEN-13TH



LET'S CLEAR THIS UP! *County Revenue Sharing Shift*

Governor Granholm, in an effort to relieve stress on the current budget, advocated shifting the county operating millage from December into the summer tax levy. In a compromise, the Governor agreed to shift the county tax levy by thirds over the next three years. This shift will provide \$183 million for Fiscal Year 2004-05, which will shore up revenue sharing for all local units of government.

The average county in Michigan levies approximately 4.8 mills. In the first year of this plan, 1.6 mills, a third of 4.8, will be moved from the December 2005 tax levy to the July 2005 tax levy. Since 90 percent of homes in the state have taxable values between \$41,000 and \$83,000, this means that the vast majority of homeowners will have between \$65 and \$130 **shifted** from the December tax bill to the July tax bill in each of the three years beginning in 2005. It is important to note that taxpayers will not have to pay any more county tax, **and this plan only applies to county millage**, in 2005 than they otherwise would without the plan.

As a practical example, taxpayers in Oakland County pay 4.19 county mills. Therefore, 1.4 mills will be shifted in 2005, 2006, and 2007 from the December levy to the July Levy. The average taxable value in Oakland County is \$82,590. So, the average homeowner in Oakland County will have \$115.63 shifted in each of the three years beginning in 2005. As one might expect, Oakland County is on the high end of the range because property values in Oakland County are relatively high compared to the rest of the state. In contrast, Macomb County levies the same 4.19 county mills, but taxable values in Macomb County are considerably less than in Oakland County. The average taxable value in Macomb County is \$64,764, so on average, \$90.67 will be shifted in each of the phase-in years in Macomb County.

Most families will not have to use savings to pay the tax early, so the opportunity cost of the funds is non-existent in most cases. In real costs, using the likely savings rate of .6 percent that will exist on savings accounts next summer, the mean opportunity cost associated with the use of the funds is 17 cents for the Oakland County taxpayer and 13 cents for the Macomb County taxpayer.

Taxpayers, however, who now pay in July instead of February, will be able to deduct these taxes from their federal tax liability. Thus, the Macomb County taxpayer, with a marginal federal rate of 27 percent, will save \$24.50 on his federal taxes, which is 144 times the unlikely 13-cent opportunity cost. So much for opportunity costs.

There are two major provisions in current law that will continue to provide relief to taxpayers. Senior citizens, 62 years of age and older, with incomes under \$25,000 can defer their summer taxes until February 14 of the following year. This provision also applies to low-income handicapped persons.

Counties will forego state revenue sharing payments over a period of three years but will receive these tax revenues early. In addition, counties will be able to use the interest on these funds for county operations. For those seniors who use the deferral and for those who take advantage of the federal tax deductibility, this shift will ironically result in a tax cut. If you have any additional questions, please do not hesitate to contact my office.

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ID Theft Victims Win Senate Approval



The Michigan Legislature approved several measures this week assisting identity theft victims to re-establish their damaged credit, expanding the range of what constitutes identity theft and restricting the handling of customers' Social Security and credit card numbers by businesses and government.

Businesses, such as insurance companies, would be prohibited from printing a customer's entire credit card or social security number. Some businesses have moved toward printing only part of such numbers, but many continue to print the entire number. In addition, identity theft victims would be able to more easily obtain a standardized certificate from a prosecuting attorney legally proving they were victimized. Once the certificate is established the victim would be entitled to a police report from the law enforcement agency with jurisdiction over the violation. In the past victims had a difficult time proving they are true ID theft victims. Penalties for identity theft would also be slightly toughened under the legislation. It would remain a five-year felony, but the maximum fine would rise to \$25,000 from \$10,000. Lawmakers touted the package as landmark legislation in combating a burgeoning problem.

Abandoned Cars Considered as Litter

The definition of litter would be expanded to include abandoned vehicles through a bill passed by the Senate on June 23. Senate Bill 1171 would amend the Natural Resources and Environmental Protection Act to define vehicles that are considered abandoned as litter. Under the Michigan Vehicle Code, vehicles are considered abandoned when they remain on public or private property for a period of 48 hours, after a police agency or other governmental agency designated by the police agency has affixed a written notice to the vehicle. The bill would help law enforcement officials and towing companies to keep Michigan roads, fields and forests clean of abandoned cars. Abandoned cars can cause accidents and tie-up the time of law enforcement officials and towing companies.

Combatting Invasive Plant Species

Michigan would be better protected against invasive plant species like Eurasian milfoil and hydrilla under legislation introduced today in the Michigan Senate. Senate Bills 1420-1427 would regulate the sale and possession of certain non-native plants that pose a threat to habitats in Michigan. The legislation is similar to prohibitions put in place earlier this year to protect Michigan's waterways from invasion by non-native fish species. The package also would establish a Non-native Species Advisory Council to establish criteria for identifying infested waterways and make recommendations regarding the state's efforts to eradicate invasive species. The Great Lakes Conservation Task Force Report, issued in 2002, made broad recommendations for important steps that the state should take to protect our water quality. One of the most important recommendations was to implement laws that will guard against further invasion of both non native fish and plants.

Wheels to Work

The Senate unanimously approved a bill that would eliminate the sales tax for people who receive donated vehicles from charitable organizations. The goal of the legislation is to help remove lack of transportation as an obstacle to getting a good-paying job. Goodwill Association of Michigan is developing a statewide transportation initiative to provide vehicles for families and individuals working toward independence and self-sufficiency.



The "Wheels to Work" program takes qualified donated vehicles and repairs them. The vehicles then are sold to qualified buyers at below market prices based upon the buyers' financial status and lack of transportation to work. Under Michigan law, people have to pay sales tax on the value of the vehicle they receive. The bill would require recipients to be employed at least 20 hours a week and keep their jobs after receiving the vehicle. It also would require that if a person doesn't have a job or is employed fewer than 20 hours a week, the person also could receive a vehicle if the recipient can show a position can't be accepted without having transportation first.

Questions or Comments?
Contact Senator Shirley Johnson
Toll-Free at 1-877-SEN13TH (736-1384)
SenSJohnson@senate.michigan.gov

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